

Mr. David Culpepper, Senior Reimbursement Analyst
Paragon Health Network, Inc.
One Ravinia Drive, Suite 1500
Atlanta, Georgia 30346

Re: AC# 3-SDV-J5 - GCI Springdale Village, Inc. d/b/a Springdale Healthcare
Center

Dear Mr. Culpepper:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**GCI SPRINGDALE VILLAGE, INC.
d/b/a SPRINGDALE HEALTHCARE CENTER**

CAMDEN, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1996
AC# 3-SDV-J5**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 27, 1998

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Springdale Village, Inc. d/b/a Springdale Healthcare Center, for the contract periods beginning October 1, 1996 and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Springdale Village, Inc. d/b/a Springdale Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Springdale Village, Inc. d/b/a Springdale Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 27, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA
State Auditor

SPRINGDALE HEALTHCARE CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1996
AC# 3-SDV-J5

10/01/96-
09/30/97

Interim reimbursement rate (1)	\$78.78
Adjusted reimbursement rate	<u>69.25</u>
Decrease in reimbursement rate	\$ <u>9.53</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 1997

SPRINGDALE HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Periods October 1, 1996 Through September 30, 1997
AC# 3-SDV-J5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.27	\$31.61	\$46.75	\$31.61
Dietary	<u>.60</u>	<u>7.80</u>	<u>8.59</u>	<u>7.80</u>
Subtotal	<u>\$3.87</u>	39.41	55.34	39.41
Laundry/Housekeeping/Maint.	\$1.06	4.33	7.04	4.33
Administration & Med. Rec.	<u>.19</u>	<u>8.36</u>	<u>8.55</u>	<u>8.36</u>
Subtotal	<u>\$1.25</u>	52.10	<u>\$70.93</u>	52.10
<u>Costs Not Subject to Standards:</u>				
Utilities		1.88		1.88
Special Services		-		-
Medical Supplies & Oxy.		1.88		1.88
Taxes and Insurance		1.22		1.22
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$57.08</u>		57.08
Inflation Factor (4.90%)				2.80
Cost of Capital				7.37
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.25
Cost Incentive - For Gen. Serv. & Dietary				3.87
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(3.37)
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$69.25</u>

SPRINGDALE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-SDV-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,385,635	\$ 119,152 (11) 28,635 (14)	\$ 4,421 (5) 194 (5) 8,830 (6) 607 (6) 1,633 (7) 196 (7) 427 (9) 243,478 (12) 20,626 (15)	\$1,253,010
Dietary	264,128	141,510 (14)	410 (5) 1,166 (6) 119 (7) 61 (8) 1,304 (9) 93,585 (15)	308,993
Laundry	26,237	33 (7) 14,057 (14)	162 (5) 250 (6) 11,129 (15)	28,786
Housekeeping	80,845	74,028 (14)	308 (5) 899 (6) 226 (7) 62,859 (15)	90,581
Maintenance	46,961	42,888 (14) 1,414 (16)	60 (5) 230 (6) 80 (7) 3,444 (8) 35,133 (15)	52,316

SPRINGDALE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-SDV-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Administration & Medical Records	315,957	47,153 (14) 31,411 (14) 9,152 (16)	145 (5) 59 (5) 749 (6) 472 (6) 128 (7) 443 (7) 1,267 (8) 117 (8) 9,300 (9) 39,005 (15) 20,698 (15)	331,290
Utilities	57,402	52,372 (14) 5,945 (16)	1,781 (3) 11,208 (10) 28,030 (15)	74,700
Special Services	-	-	-	-
Medical Supplies & Oxygen	125,314	-	27,058 (8) 7,647 (9) 15,951 (15)	74,658
Taxes and Insurance	32,939	28,178 (14) 11,334 (16)	5,514 (4) 18,383 (15)	48,554
Legal Fees	-	-	-	-
Cost of Capital	249,272	11,892 (1) 846 (2) 2,698 (14) 32,667 (17)	3,807 (13) 1,623 (15)	291,945
Subtotal	2,584,690	655,365	685,222	2,554,833

SPRINGDALE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-SDV-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Ancillary	64,877	2 (7)	-	64,879
Non-Allowable	1,856,609	1,781 (3)	11,892 (1)	1,862,948
		1,803 (4)	846 (2)	
		2,790 (7)	843 (6)	
		31,947 (8)	119,152 (11)	
		18,678 (9)	462,930 (14)	
		11,208 (10)	27,845 (16)	
		243,478 (12)	32,667 (17)	
		3,807 (13)		
		<u>347,022 (15)</u>		
Total Operating Expenses	<u>\$4,506,176</u>	<u>\$1,317,881</u>	<u>\$1,341,397</u>	<u>\$4,482,660</u>
TOTAL PATIENT DAYS	<u>*34,912</u>	<u>4,726 (18)</u>	<u>-</u>	<u>39,638</u>

*Adjusted to 97% occupancy

TOTAL BEDS 116

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-SDV-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 454,107	
	Cost of Capital	11,892	
	Accumulated Depreciation		\$ 81,809
	Other Equity		372,298
	Nonallowable		11,892
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Loan Cost	10,675	
	Cost of Capital	846	
	Other Equity		10,675
	Nonallowable		846
	To adjust loan cost and related amortization to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	1,781	
	Utilities		1,781
	To adjust utility expense to allowable HIM-15-1, Section 2304		
4	Accrued Property Taxes	3,535	
	Retained Earnings	176	
	Nonallowable	1,803	
	Taxes and Insurance		5,514
	To adjust property taxes and related accrual to allowable HIM-15-1, Sections 2302.1 and 2304		
5	Retained Earnings	5,759	
	Nursing		4,421
	Restorative		194
	Dietary		410
	Laundry		162
	Housekeeping		308
	Maintenance		60
	Administration		145
	Medical Records		59
	To properly charge salaries applicable to the prior period HIM-15-1, Section 2302.1		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-SDV-J5

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
6	Accrued PTO	14,046	
	Nursing		8,830
	Restorative		607
	Dietary		1,166
	Laundry		250
	Housekeeping		899
	Maintenance		230
	Administration		749
	Medical Records		472
	Nonallowable		843
	To adjust PTO accrual to allowable HIM-15-1, Sections 2302.1 and 2304		
7	Laundry	33	
	Ancillary	2	
	Nonallowable	2,790	
	Nursing		1,633
	Restorative		196
	Dietary		119
	Housekeeping		226
	Maintenance		80
	Administration		128
	Medical Records		443
	To adjust workers' compensation expense to allowable HIM-15-1, Section 2304		
8	Nonallowable	31,947	
	Dietary		61
	Maintenance		3,444
	Administration		1,267
	Medical Records		117
	Medical Supplies		27,058
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
9	Nonallowable	18,678	
	Nursing		427
	Dietary		1,304
	Medical Records		9,300
	Medical Supplies		7,647
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-SDV-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Utilities	11,208	11,208
	To remove utilities applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3		
11	Nursing Nonallowable	119,152	119,152
	To reverse provider allocation of costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3		
12	Nonallowable Nursing	243,478	243,478
	To remove nursing cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3		
13	Nonallowable Cost of Capital	3,807	3,807
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
14	Restorative Dietary Laundry Housekeeping Maintenance Administration Medical Records Utilities Taxes and Insurance Cost of Capital Nonallowable	28,635 141,510 14,057 74,028 42,888 47,153 31,411 52,372 28,178 2,698	462,930
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-SDV-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Nonallowable	347,022	
	Restorative		20,626
	Dietary		93,585
	Laundry		11,129
	Housekeeping		62,859
	Maintenance		35,133
	Administration		39,005
	Medical Records		20,698
	Utilities		28,030
	Taxes and Insurance		18,383
	Medical Supplies		15,951
	Cost of Capital		1,623
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
16	Maintenance	1,414	
	Administration	9,152	
	Utilities	5,945	
	Taxes and Insurance	11,334	
	Nonallowable		27,845
	To adjust home office cost allocation to allowable HIM-15-1, Sections 2304 and 2150		
17	Cost of Capital	32,667	
	Nonallowable		32,667
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
18	<u>Memo Adjustment:</u>		
	To increase total patient days by 4,726 to 39,638		
	TOTAL ADJUSTMENTS	<u>\$1,806,179</u>	<u>\$1,806,179</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

SPRINGDALE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1995
AC# 3-SDV-J5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.0472</u>	<u>2.0472</u>	<u>2.0472</u>	
Deemed Asset Value (Per Bed)	31,973	31,973	31,973	
Number of Beds	<u>44</u>	<u>60</u>	<u>12</u>	
Deemed Asset Value	1,406,812	1,918,380	383,676	
Improvements Since 1981	28,040	21,871	3,468	
Accumulated Depreciation at 9/30/95	<u>(238,205)</u>	<u>(92,193)</u>	<u>(4,284)</u>	
Deemed Depreciated Value	1,196,647	1,848,058	382,860	
Market Rate of Return	<u>0.070</u>	<u>0.070</u>	<u>0.070</u>	
Total Annual Return	83,765	129,364	26,800	
Number of Days in Period	<u>365/365</u>	<u>365/365</u>	<u>242/365</u>	
Adjusted Annual Return	83,765	129,364	17,769	
Return Applicable to Non-Reimbursable Cost Centers	(4,009)	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	79,756	129,364	17,769	
Depreciation Expense	33,440	28,795	2,788	
Amortization Expense	473	904	279	
Capital Related Income Offsets	-	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,623)</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	112,046	159,063	20,836	\$291,945
Total Patient Days (Minimum 97% Occupancy)	<u>15,578</u>	<u>21,243</u>	<u>2,817</u>	<u>39,638</u>
Cost of Capital Per Diem	\$ <u>7.19</u>	\$ <u>7.49</u>	\$ <u>7.40</u>	\$ <u>7.37</u>